

P-999/CI-93-1010 ORDER REDUCING TAP SURCHARGE AND MAINTAINING TAP
CREDIT AT CURRENT LEVEL

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Marshall Johnson
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Annual
Consideration of Possible
Changes in the Telephone
Assistance Plan Surcharge and
the Telephone Assistance Plan
State Credit for Calendar Year
1994

ISSUE DATE: October 29, 1993

DOCKET NO. P-999/CI-93-1010

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PROCEDURAL HISTORY

In 1987 the Minnesota legislature established the Telephone Assistance Plan (TAP) to provide bill credits to low income telephone subscribers who were at least 65 years old. In 1988 the legislature amended the plan to extend the credits to low income disabled subscribers. The plan is administered jointly by the Commission, the Department of Human Services, and the telephone companies.

The plan is funded by a monthly surcharge to telephone subscribers. The current surcharge is 10 cents per access line, the maximum permitted by statute. The current credit is in most cases \$3.50, also the statutory maximum. The Federal Communications Commission provides matching funds by waiving a portion of the interstate access charge equal to the amount of the credit.

The Commission reviews the TAP surcharge and credit amounts annually. The Commission's most recent Order reviewing the TAP surcharge and credit amounts was issued on November 12, 1992. In that Order, the Commission maintained the surcharge and credit amounts at their current amounts for calendar year 1993.

On October 26, 1993, the Commission met to set the surcharge and bill credit levels for calendar year 1994.

FINDINGS AND CONCLUSIONS

The Commission's Role

The Commission serves as coordinator of the telephone assistance plan (TAP) pursuant to Minn. Stat. § 237.70, subd. 7 (d) (1992). The statute requires the Commission to adjust the level of the

TAP surcharge and the level of the TAP credit to maintain appropriate levels in the state TAP fund. Under Minn. Rules, Parts 7817.0300 and 7817.0500, the surcharge and credit levels must be determined on an annual basis, no later than November 30, to be effective for the subsequent calendar year. The surcharge cannot exceed 10 cents per access line. Minn. Stat. § 237.70, subd. 6 (1992). The credit cannot exceed:

1. more than 50 percent of the local exchange rate charged for the local exchange service provided to the household by that household's telephone company; and
2. the level of credits than can actually be funded [by the surcharge].

Minn. Stat. § 237.70, subd. 5 (1992).

TAP Credit Level

Over time, the Commission has increased the state TAP credit to match the periodic increases in waiver of the federal subscriber line charge (currently \$3.50 for most telephone companies). At this point, the state TAP credit is at the maximum level permitted by statute. To date, the Commission has never had to decrease the state TAP credit to conserve the TAP fund.

The Commission finds that the current TAP credit level is appropriate and will maintain that level in calendar year 1994.

TAP Surcharge

The TAP surcharge has also been at the maximum level permitted by statute since TAP was first implemented. In the early years of the fund it was reasonable to maintain a surplus to assure continued operation of the program. The TAP was still in a potentially volatile stage. There was insufficient experience with the program to be sure that demand would not suddenly soar beyond revenue.

After consecutive years of declining demand¹ and steadily increasing revenue, the surplus on hand at the end of fiscal year '93 has grown to \$2,929,490. Given current surcharge and credit levels and currently projected growth in TAP enrollees and access lines, the Commission finds that the TAP surplus is likely to continue at similarly high levels.²

¹ During fiscal year 1992, TAP enrollment decreased by about 1,000 participants from 55,247 to 54,262. During Fiscal year 1993, the decrease continued. Enrollment fell from 54,262 to 51,010 as of June 30, 1993.

² If the current levels of TAP surcharge and credit were maintained, the projected June 30 surpluses in the next three years are as follows: \$3,147,802 at the end of FY 1994;

When it reviewed the TAP surcharge in 1992, the Commission was already considering reducing the TAP surcharge but decided against it at that time. The Commission stated:

Although a small downward adjustment to the TAP surcharge level might be possible because of the increase in the TAP balance, the Commission does not find that such an adjustment would be wise. The downward adjustment would probably only be temporary, and would result in ratepayer confusion when an upward readjustment took place.

This was prudent at the time. In 1992, projections were that the TAP fund balance would be \$996,000 for the end of fiscal year 1994 and \$1,237,070 at the end of fiscal year 1995. It appeared that any reduction in the TAP surcharge would likely have to be reversed after a relatively short period of time, leading to consumer confusion.

Also contributing to the Commission's caution was the fact that in 1992 there was a backlog of eligibility determinations in the Department of Human Services. In its Order, the Commission noted that until this backlog had been resolved it would be difficult to project a likely level of TAP participants with accuracy. At this time, however, that backlog has been eliminated, leading to much more reliable projections of demand.

In light of confirmed trends (reduced demand for TAP credits and growth in access lines) and the resulting revised projections, it appears that the TAP balance will grow substantially larger than was imaginable in 1992. For example, in 1992 the projected surplus for the end of FY 1995 was \$1,237,070 whereas under current improved projections, the projected surplus for the end of FY 1995 is \$2,834,394. At the same time, the demand and revenue trends cited previously render maintenance of a large annual surplus less and less justifiable.

Based upon the revised projections, it appears that an \$0.08 surcharge will be adequate to fund the TAP at the current maximum TAP credit level for the coming three years and still leave a reasonable surplus in the TAP fund at the end of FY 1996.³ Such

\$2,834,394 at the end of FY 1995; and \$2,167,562 at the end of FY 1996.

³ The surplus projected at this time for the end of FY 1996 maintaining the current TAP surcharge (\$0.10) is \$2,167,562. With a TAP surcharge of \$0.08, the projected surplus for that time is \$398,475.

a reduction, which appears to be possible for at least three years, is hardly the "temporary reduction" that the Commission considered in 1992.⁴

Commission Action Regarding the 1994 TAP Surcharge

Having carefully reviewed this matter, the Commission concludes that reduction of the TAP surcharge from \$0.10 to \$0.08 for the coming year is appropriate and will so Order, effective for the 1994 calendar year. The Commission will, of course, continue to monitor the TAP performance during that year, revise its projections as warranted, and review the TAP surcharge and TAP credit pursuant to Minn. Rules, Parts 7817.0300 and 7817.0500, no later than November 30, 1994.

ORDER

1. The surcharge level for the Telephone Assistance Plan shall be reduced from \$0.10 per access line to \$0.08 per access line for calendar year 1994.
2. The credit level for the Telephone Assistance Plan shall remain at its 1993 levels for calendar year 1994.
3. Within 30 days of this Order, all telephone companies shall file copies of their revised tariff sheets reflecting these decisions effective January 1, 1994.
4. All telephone companies shall provide notice to customers of the surcharge reduction. The notice may be printed on bills or be provided as a separate billing insert. The notice shall accompany the first bill for which the reduction takes effect.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Susan Mackenzie
Acting Executive Secretary

(S E A L)

⁴ In its November 12, 1992 Order, the Commission explained its decision to postpone reducing the TAP surcharge as follows:

The downward adjustment would probably only be temporary, and would result in ratepayer confusion when an upward readjustment took place. ORDER, page 2.